

## ***Retail sales volume up for the 24<sup>th</sup> month in Hungary***

**Due to steadily rising domestic purchasing power, improving labour market conditions, increasing wages in real terms as well as to Government measures which are having a substantial positive effect on household incomes, the Hungarian retail sector has been expanding for more than two years. Other driving forces include more efficient controls by tax and other state authorities as well as the reduction of shadow economy resulting from the connecting of retail sector cash registers to the National Tax and Customs Administration through the internet.**

As far as the entire financial year of 2014 is concerned, the volume of retail sales in Hungary totalled HUF 8 805bn (USD 31.56bn), up by 5.2 percent compared to 2013. This figure is the highest amount in ten years and an even higher increase was last recorded only back in 2004. The largest volume growth figure was observed in internet retailing, where in the previous month sales were up by 45 percent year-on-year. The five largest retail product groups include foods (HUF 2 311bn), automotive fuels (HUF 1 614bn), pharmaceutical and medical products (HUF 475bn), and other manufactured goods (HUF 413bn).<sup>12</sup>

Together with the 7.0 percent growth figure in July 2015 – the third best result within the European Union -- the upward retail sales trend has been in place for 24 months in a row in Hungary. The rising curve also aptly demonstrates the sector's expansion:

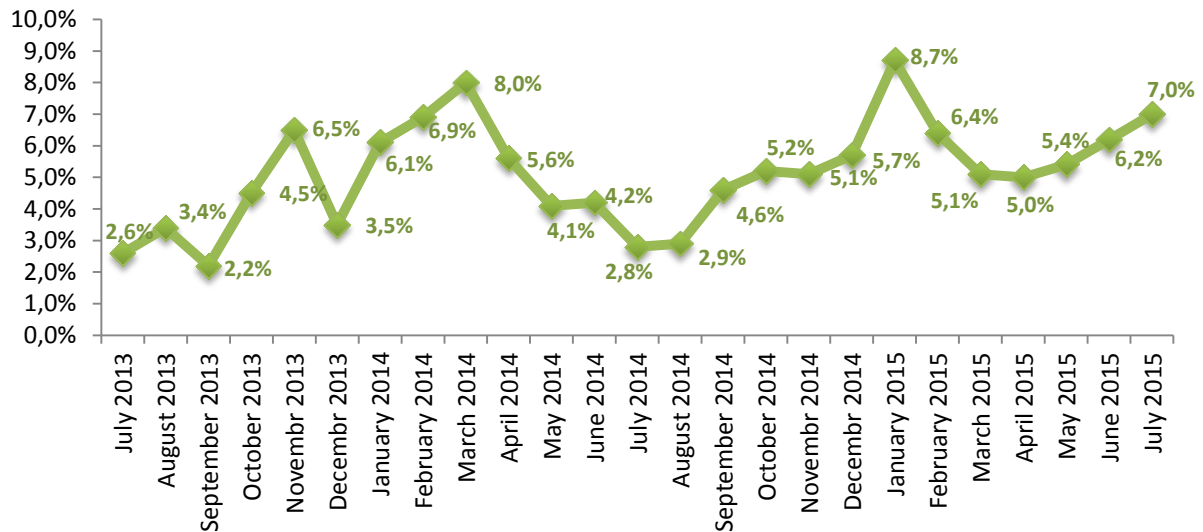
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<sup>1</sup> [http://www.ksh.hu/docs/hun/xstadat/xstadat\\_evkozi/e\\_okj/b002b.html?down=116.36363384152253](http://www.ksh.hu/docs/hun/xstadat/xstadat_evkozi/e_okj/b002b.html?down=116.36363384152253)

<sup>2</sup> <http://mno.hu/gazdasag/porgott-a-kiskereskedelem-2014-ben-1274683>

## Retail sales volume indices in Hungary, month/month, since July 2013

*corresponding period of previous year= 100%*



*Source: Hungarian Central Statistical Office (KSH)*

The latest increase of 7.0 percent in the month of July 2015 has also beaten the 5.8 percent consensus figure formerly predicted by market analysts. Contrary to the tendencies prevalent two-three months ago, when sales growth had been driven mainly by automotive fuel sales, demand for foods also picked up recently. This indicates that restrictions on Sunday shopping have not had a sizable negative effect on sales volumes, as the bulk of sales was registered at super- and hypermarkets that are under the sphere on the new law. **The initial negative impact of the introduction of restrictions on Sunday shopping has been diminishing:** households and shops have adjusted to the new regulation, and thus the Hungarian retail sector has undergone a structural transformation.



### Contributing factors to the 6.2 percent sales growth recorded in June 2015

The last month for which the Hungarian Central Statistical Office (KSH) compiled detailed data by sectors is June 2015. The prior months of 2015 were also largely characterized by the trend and contributing factors revealed by the second estimate of data from June 2015. In the observed month, unadjusted and calendar-adjusted data show that the volume of retail sales soared by 7.2 percent and 6.2 percent, respectively, year-on-year. The calendar-adjusted volume of sales was up by 4.5 percent food- and non-specialized food retailers, by 8.1 percent at non-food stores and by 9.0 percent at filling stations. In June 2015, turnover at the national retail network and at mail order as well as internet retailing totalled HUF 772bn at current prices, of which 46 percent was generated by food- and non-specialized food retailers, 36 percent by non-food retailers and 18 percent by filling stations.

In June 2015, the volume of turnover rose by 4.5 percent at food and non-specialized food retailers. The volume of sales at non-specialized food retailers, which account for 77 percent of food retailing, was 4.1 percent higher, while that of food, beverages and tobacco products stores increased by 5.9 percent. The sales volume of the non-food retail sector gained 8.1 percent. Sales were also higher at second-hand retailers (by 15 percent), at stores of textiles, clothes, footwear and leather goods as well as those of books, information-technology and other household goods (by 12 percent each), at non-specialized stores for manufactured goods (by 11 percent) and at retailers of pharmaceutical and medical products as well as cosmetics shops (by 7.1 percent). The volume of sales was unchanged at furniture and electronic goods shops. Total sales volume at mail order and internet retailers rose by 29 percent, confirming a multi-year upward trend. Filling stations recorded turnover increase of 9.0 percent. Sales of motor vehicles and car components -- which in the standard European statistical system are not registered among retail data -- rose by 4.3 percent.

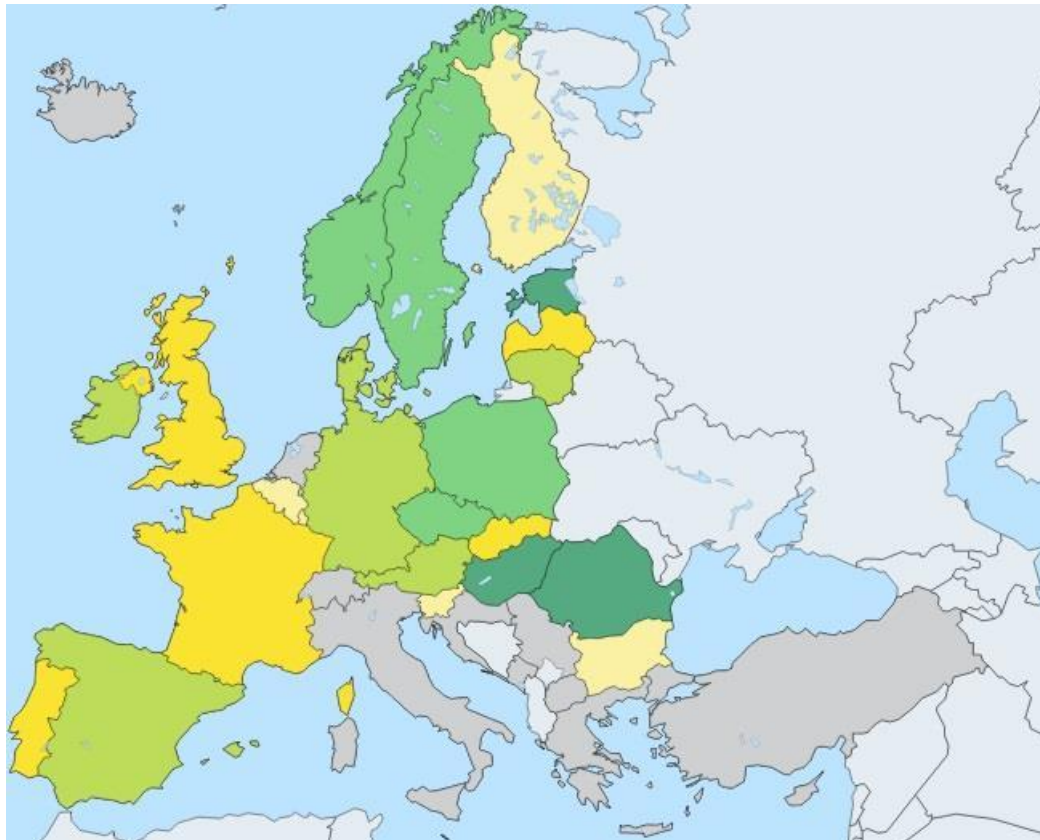
In January-June 2015, the volume of retail sales -- according to data adjusted for calendar effects -- was 6.1 percent higher year-on-year; within that, sales were up by 3.4 percent at food and non-specialized food retailers, by 8.6 percent at non-food retailers and by 8.8 percent at filling stations.

*Source: Hungarian Central Statistical Office (KSH)*

In the opinion of market analysts, the pace of retail sales volume growth is set to remain stable for the remainder of the year, and the **expansion is expected to 5.8 percent against last year's 5.2 percent**. The stable and improving labour market (**as in July private sector employment rate already exceeded the pre-crisis peak**), the above 5 percent growth of wages in real terms and upbeat consumer confidence signalled by surveys will substantially contribute to retail sales and domestic consumption growth this year and in the medium-term. Purchasing power growth increasingly boosts retail sales and consumption as well.

As mentioned above, the latest Hungarian data also highlight the fact that Hungarian retail sales growth is dynamic even from an EU perspective, as Hungary's growth figure was the third best among the EU28 (see below map). Hungary belongs to the European top three with regard to

retail sales growth, marked as dark green on the map. According to seasonally adjusted Eurostat data, in July retail sales increased on average by 0.4 percent month-on-month in the 19-member common currency bloc, while they were up by 2.7 percent year-on-year. **Within the entire EU, the volume of retail sales gained 0.3 percent month-on-month and 3.3 percent year-on-year.**



*Countries marked as dark green (retail sales growth above 5 percent), light green (4.9-3.3 percent), medium green (3.2-1.7 percent), dark yellow (1.6-0 percent), light yellow (negative growth) (Source: Eurostat)*

The retail sector posted 5+ percent growth in July 2015 only in Hungary (5.5 percent), Romania (5.7 percent) and Estonia (6.9 percent), compared to the corresponding period of the previous year.

**Further household consumption growth is predicted for the remainder of the year and in the medium term.** Accelerating sales growth observed in the past four months is attributable, among others, to the increase in the number of people in employment, the rise of wages in real terms, extra household income due to bank refunds and the positive effect of on-line cash registers against the shadow economy. These determinants are expected to maintain retail sales momentum which could have a positive impact on the medium-term development of the Hungarian economy.